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Major News Releases and Speeches

July 23 - July 30, 1982

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Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Secretary of Agriculture John Block before the American School Food Service Association in Denver, Colorado, July 28, 1982

I want to thank your President, Gertrude Applebaum, for inviting me here today. And it's a real pleasure to meet your new executive director, Carl Norberg. He's leading some talented and able people in an organization that can make a difference.

I say that because ASFSA does get things done. I've been told that you can write thousands of letters overnight, and have them on the President's desk in the morning. That's the kind of action Washington understands. Your telegrams to Capitol Hill on the Farm Bill showed that you can—and will—speak out on matters of concern to you.

You, of course, realize the important ties that exist between the school food service association and the Department of Agriculture. As a member of the farming community, I also have a special appreciation of this relationship. When we talk about agriculture, we're talking about much more than just the people who operate our nation's farms and ranches. We're talking about the industry as a whole—from production through distribution. And this is reflected as we develop agricultural policy.

School Lunch and Agriculture

Food and nutrition is a key component of this policy. And those of you who operate the 91,000 school lunchrooms around the country play a part in implementing that policy. American farmers have produced a bounteous supply of food unlike any in the world. And you have put it to work feeding our children.

Many people may not realize that school lunches account for one of our most important markets for food. I'm told it has just moved up a notch, to second place, on Institution/Food Management magazine's scale of the country's largest food service markets.

This past school year school lunch programs used over $4.5 billion worth of food. That's over two cents of every dollar spent for food in

America. Looking at dairy products alone, school lunch accounts for seven and a half cents of every dollar spent. That's a big help to our current dairy surplus situation.

Commodity Distribution

School lunch programs, since the earliest days, have been constructive outlets for surpluses the department buys to stabilize prices. Today, the school lunch is our largest outlet for these surpluses. This is a real plus because it significantly adds to the total market for food and helps expand markets for new products. It reduces school meal costs and contributes to the important nutrition objectives of your programs.

This past school year, the department shipped $750 million worth of agricultural commodities to schools. Of this amount, 45 percent were bonus commodities—above and beyond what the law guarantees. These came out of the government surpluses.

Growing surpluses, of course, increase the need to find good outlets. And so this past year, schools were offered all they could use of dry milk, butter, cheese, and bonus quantities of turkeys, turkey roasts, honey, and a couple of fruit items. In the face of budget constraints in other areas, you made good use of our bonus offer. You made a considerable dent in our surpluses by taking 97 million pounds of butter, 162 million pounds of cheese, and 41 million pounds of dry milk. . .in the last school year.

At the same time, we've also offered food banks and others who serve needy families up to 220 million pounds of cheese. That distribution is going well. We're adding to that now by offering states the opportunity to distribute butter through food banks. And in September, three states will begin giving families nonfat dry milk on a trial basis.

This helps, but it can't solve the entire dairy overproduction problem. Stocks continue to increase because we are forced to acquire them under the dairy support program. To get this under control we have designed a comprehensive package of plans. A key part is our proposal for Congress to give the Department more flexibility in setting support levels, and to broaden our authority to donate dairy products at home and overseas.

There are also other steps we can take that do not require legislation, and we are moving on those. These initiatives will help you get more value from the bonus commodities you're getting now. Last school year, the use of bonus commodities on top of the regular entitlement gave schools an average 20 cents worth of federal commodities for every lunch.

That, plus the basic cash reimbursement, brought the total federal subsidy to just over 30 cents a meal for paying children. Of course it's four times that for free lunches.

The point is that the bonus commodities are now a significant factor in the amount of help you get from the federal government to run your program. Use of commercial processors to convert those basic foods into final products can make a big difference. Many of you have been participating in contracts with commercial firms. But not all schools have been able to take advantage of the opportunity.

So, as a means to help more schools get full use of the dairy surpluses now on hand, I have directed the Food and Nutrition Service to enter into national processing agreements for the next school year. Under these agreements, commercial firms will be able to obtain cheese, butter, and nonfat dry milk from the department at no cost.

The processors can use these commodities in such final products as bread and other baked goods, pizza, ice cream, and sell them to schools and other institutions which are entitled to use donated foods. The savings will of course be passed along to the schools.

We refer to this system as Private Sector Inventory (PSI), and we expect it to get underway this fall. By establishing the PSI system, we expect to increase the number of schools and others currently receiving the benefits of commodity assistance. I hope you'll watch for word of the dairy discount products and let us know how they work for you.

State Roles

Based on my experience as Director of Agriculture in Illinois, I feel it's important for school lunch and other local nutrition programs to maintain contact with their state departments of agriculture. In so doing, you can stay tuned to news of farm products and, when appropriate, plan to buy directly from farmers.

I'm convinced that much can be accomplished by state and local people. For too many years authority over government activities has been gravitating to Washington, undermining the ability of state and local governments to solve their own problems. The Reagan Administration is reversing that trend. We are redirecting government to a course in which private initiative and state and local government play more prominent roles.

We recognize that adjustment to changes of this magnitude can be difficult. But the challenge, when approached in a cooperative spirit, can generate new creativity and innovation. And that's exactly what we've seen in the school lunch program this past year. The cooperative relationship we've developed with your organization has contributed in no small measure to the positive developments that have come about.

Certainly, resources are tight at all levels of government. But instead of declaring defeat, you took a positive approach. You accepted the challenge and went to work to meet it. You tightened your belts and introduced new efficiencies, largely without benefit of federal regulations. You used all the resources at hand to hold costs down. And then you did a great job of showing your communities that the school lunch is still a good buy.

Your accomplishments began showing in the statistics. In the fall we saw a predictable drop in student participation as a first reaction to price adjustments. But by mid-year your efforts began to pay off as students started returning to the program.

We have helped you look for ways to reduce costs. And with your support, we proposed to extend the offer versus serve provision to

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Remarks prepared for delivery by Assistant Secretary of Agriculture William G. Lesher before the Fifth Annual Farm Store Conference and Trade Show, St. Louis, Mo., July 30, 1982

Agriculture and the Economics Beyond the Farm Gate

I appreciate the opportunity to be here this morning to discuss agriculture and the economics beyond the farm gate. As manufacturers

and suppliers of agricultural inputs, you are an integral part of our industry, which is the best in the world.

Agriculture reaches far beyond the farm. Agriculture reaches back into all those businesses—many represented here—which provide farm production goods and services. Agriculture reaches forward into a highly sophisticated system of marketing, processing, distribution and merchandising. The final result from this complex, interrelated, and highly efficient system is an abundant and wholesome supply of food and fiber—delivered in the forms consumers want, when they want it, and where they want it, and at a price that allows the average American to spend about 20 percent of his or her disposable income on food and fiber.

Unfortunately, many do not fully appreciate the importance of agriculture in our economy. Our farmers provide abundant food for this nation and a large portion of the food and fiber needs of the rest of the world, but they do not do it alone. Farmers depend on the people who supply tractors, farm machinery, specialized equipment, and trucks. Farmers also depend on the people who supply fuel and lubricants, fertilizers, pesticides, seeds, feed supplements, and other farm supplies. Banks and other lenders are more important than ever. Farmers need up-to-date market information, news and weather analysis, as events elsewhere in the world increasingly affect their profits and well-being.

Farmers also need the transportation industry to move livestock and crops from their feedlots and fields to mills and factories where they are processed into food—and then on through merchandising channels to consumers. And, increasingly in the past decade, farmers have needed the export marketing system to move their products to foreign customers.

In a period of difficult economic conditions for farmers—and for those of you who sell to farmers—there is also the danger that agriculture's solid, long-term contribution to the economic welfare of this nation may be overshadowed by its problems. Using only 3 percent of the labor force, our farms are efficient enough to feed our own population and generate a large net trade surplus. But it is important to remember that nearly one in every five non-agricultural workers in this country is either providing farm inputs or processing and distributing

products, so the importance of a healthy agricultural economy goes far beyond the farm gate.

In addition, agricultural exports are crucial in limiting the amount of red ink in the nation's trade balance. While the 1981 agricultural trade surplus topped $26 billion, the non-agricultural trade deficit exceeded $56 billion. With agriculture's contribution, the total trade deficit was limited to a little over $30 billion.

The Farm Economy in Perspective

Even in the midst of difficult times, we know that the American agricultural system produces efficiently and will continue to do so. Our immediate task is to consider what conditions will add prosperity to efficient production. You have a stake in our succeeding at this task since farm prosperity is essential to your prosperity.

Economic conditions in the farm sector have not been favorable to farmers or to their suppliers during the past two and a half years. In the first half of 1982, farmers received prices for their commodities that were about 5 percent below those of the first half of 1981, but above the depressed levels at the end of last year. Factors causing depressed prices are high interest rates, the strong dollar, lagging general economic conditions in the United States and elsewhere, and the burdensome supplies created by record 1981 farm output.

Prices received by farmers will likely remain steady for 1982 as a whole, after rising in 1980 and 1981. Unfortunately, prices farmers pay will rise, although at the slowest rate since 1964, so the relationship between prices received by farmers to prices paid may fall this year for the third year in a row. This has squeezed farmers' incomes, cut into farm cash flow, and made increased borrowing necessary.

The cost-price squeeze has depressed most financial indicators of the well-being of the farm sector. Farmers with heavy debt burdens are being squeezed the most by the combination of high interest rates and reduced income. Row crop farmers are being especially hard hit in 1982, because of continuing low commodity prices. A few are being forced out of farming. However, the majority of farmers have relatively low indebtedness and, although they are also experiencing cash flow problems, most will survive the current financial squeeze.

Farm income statistics clearly illustrate the situation. Higher interest expenses along with increases in energy and chemical outlays raised total cash expenses about 9 percent in 1981 and could add another 1 to 3 percent in 1982. Increases in cash receipts from farm marketings did not keep pace in 1981 and may not in 1982. As a result, net cash income fell in 1981 and could fall again this year.

Current income, while important, is not the whole story. The value of farm assets—the owner's wealth—also determines financial health. Farmers' equity figures show large but slightly eroding assets. Because of declining cash income and high mortgage interest rates, net equity declined 2 percent in 1981. Nevertheless, the average farm's net worth last year was $368,000, about 75 percent of it in real estate. Overall, the ratio of debt-to-asset values remains low in absolute terms and low compared to other sectors of the economy.

Tight cash flows and reduced equity values are causing farmers to be more cautious about increasing their debts this year. Agricultural banks have money to lend. Since 1979, loan to deposit ratios at agricultural banks have dropped from 68 percent to 58 percent. But farmers are understandably reluctant to take on more debt if they can avoid it. Instead, they have cut back purchases of machinery and equipment and other operating capital. I am certain some of you who supply these inputs have felt reductions in purchases.

The cutbacks show up in the demand for intermediate and long-term credit in recent months. In the first quarter, new loans by Federal Land Banks and Production Credit Associations dropped 20 and 16 percent, respectively.

While trying not to increase their debt loan, most farmers are managing, some with difficulty, to hold on under their past debt loads. Despite widespread publicity about foreclosures, they are still a small—albeit rising—part of total loans outstanding. Lenders say they are doing everything possible to assist farmers during this period of financial distress. And, despite accounts to the contrary, so are we in the Department of Agriculture.

To put loan delinquencies in perspective, about 3.9 percent of PCA loans were delinquent on March 31, 1982, compared to 2.7 percent a year earlier. The Federal Land Bank delinquency rate was 3.3 percent compared with 2.7 percent last year.

The Farmers Home Administration reported that 30 percent of its borrowers were behind in scheduled payments—up only slightly from a year earlier. However, of nearly 80,000 borrowers, FmHA has foreclosed on 198—about 1 for every 400 borrowers—and witnessed 981 non-foreclosed liquidations—about 1 for every 80 borrowers.

Such hardships are much more than statistics. Frequently they represent the disruption of a person's entire life, a fact I do not want to minimize for a moment. Elsewhere in the economy, the same kind of hardships have been occurring as well. Everyone—farmers and non-farmers alike—needs a healthy economy and the Reagan Administration has taken steps it believes will lead to one.

Agriculture presently has an additional problem because large supplies are facing reduced demand at the bottom of a recession. The brightest picture is in livestock. Production is declining from very high levels because of past losses. With a sharp decline in pork production this year, barrow and gilt prices in June averaged 20 percent above last June. Prices of other livestock have also improved considerably in recent months.

Per capita consumption of livestock products—including dairy products—will be lower this year than it has been in 40 years. If such production cuts were taking place in a stronger economy, we would have yet higher prices.

Compared with livestock producers, however, crop producers have less control over output. Both weather and foreign production significantly affect world markets—and U.S. farmers sell in those markets. Right now, 1982/83 supplies look large because large stocks remain from 1981 crops. Still, for the coming marketing year, only a modest increase is expected in U.S. ending stocks of all grain with the rise tempered by voluntary participation of farmers in the acreage reduction program. Partly as a result of that program, U.S. grain production is expected to decline 6 percent.

In developing a consistent and cohesive set of agricultural programs for the Agriculture and Food Act of 1981, the Reagan Administration recognized that agriculture differs greatly from other sectors of the economy in that production depends on natural and biological forces. It is necessary to protect against economic as well as natural disasters, which are inherent in an agricultural industry with substantial

The action against South Eastern Meats Inc., was part of a consent decision year if the firm violates the Federal Meat Inspection Act by preparing, selling or transporting adulterated or misbranded product during the next year.

Under the Federal Meat Inspection Act, only wholesome, unadulterated and properly labeled meat products can be sold in interstate commerce.

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PRELIMINARY SUMMARY OF FOOD ASSISTANCE PROGRAM RESULTS FOR MAY 1982

WASHINGTON, July 28—Preliminary estimates of participation in the federal-state food assistance programs for the month of May, including comparisons with the previous month and with the same month of last year, were announced today by the U.S. Department of Agriculture's Food and Nutrition Service. They are:

	May 1981	April 1982	May 1982
THE FOOD STAMP PROGRAM:			
People participating this month (millions):	22.6	22.4	22.2
Value of bonus coupons (millions):	$936.2	$878.5	$867.7
Average bonus per person:	$41.39	$39.24	$39.02

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	May 1981	April 1982	May 1982
FOOD DISTRIBUTION PROGRAM ON INDIAN RESERVATIONS:			
Number of projects in operation:	77	81	81
People participating this month (thousands):	70.4	84.5	83.9
THE SPECIAL SUPPLEMENTAL FOOD PROGRAM (WIC):			
People participating this month (millions):	2.027	2.207	2.268
Federal food costs (millions) (a):$53.3	$66.9	$68.6	
THE COMMODITY SUPPLEMENTAL FOOD PROGRAM:			
Number of projects in operation:	21	25	25
People participating this month (thousands):	117.0	126.5	127.0
THE NATIONAL SCHOOL LUNCH PROGRAM:			
Number of schools taking part (b):	93,982	91,220	91,220
Children participating this month (millions):	25.4	23.1	22.8
Children reached with free or reduced-priced lunches this month (millions):	12.3	11.6	11.3
Percentage of lunches served free:	40.5	42.7	42.2
Percentage of lunches served at reduced price:	7.6	7.2	7.1
THE SCHOOL BREAKFAST PROGRAM:			
Number of schools taking part (b):	35,082	34,385	34,385
Children participating this month (millions):	3.8	3.4	3.3
Percentage of breakfasts served free or at reduced price:	85.9	88.9	88.8
THE CHILD CARE FOOD PROGRAM:			
Number of outlets taking part:	62,500	70,900	72,200
Children participating this month (thousands):	871.0	902.0	893.0

fluctuations in output. Agricultural commodity price variations can be large as supplies change, leading to significant changes in farm income from year to year.

While we did not achieve all we wished in the Agriculture and Food Act of 1981, it was a step in the right direction. Utilizing the programs contained in this legislation, the Reagan Administration has provided assistance to commodity producers that will total nearly $11 billion in fiscal 1982. Net outlays for on-going CCC price support programs, which were designed with flexibility to deal with a surplus production situation such as we are now experiencing, will increase by around $6-1/2 billion in fiscal 1982—over 2-1/2 times the fiscal 1981 outlays. It is difficult to agree with those who say that this farm bill is a "do-nothing" bill when we have had increased outlays in time of need of this magnitude.

The 1982 acreage reduction programs have reduced expected U.S. grain output in 1982/83 by 6 percent from 1981/82 levels and limited the buildup in stocks. To further limit the growth in surplus grain stocks, and assist farmers with their current cash flow problems, Secretary Block has announced a 20 percent acreage reduction program for 1983 crop wheat with advanced wheat deficiency payments to those farmers who participate in the program.

Causes of Current Conditions in the Farm Economy

While large supplies are one factor causing low commodity prices and weak farm income, supplies can only be large relative to demand. Although the 1981-82 recession appears to have bottomed out, it came on the heels of a recession in 1980. In fact, the economy has been weak for a prolonged period dating back to 1979. In the first quarter of 1982, real GNP was less than one-half percent higher than in the first quarter of 1979. This three-year stagnation has limited growth in real disposable personal income (per capita) to only one percent in the same period.

We believe that this period of economic slack is an unfortuante but necessary consequence of trying to cure 15-20 years of a rising trend in inflation and interest rates, a declining trend in productivity growth, and excessive reliance on government intervention and regulation of the marketplace. To that extent, we find ourselves in an adjustment process that is proving to be somewhat more difficult than originally thought. A responsible monetary policy, which is necessary to reduce

inflation, has kept interest rates high. This has led to reduced inventory demand, so that the burden of excessive stocks is falling on the primary producers—our nation's farmers.

Foreign demand has also remained unusually weak, due to a sluggish world economy. The strong international position of the dollar, largely caused by high U.S. interest rates, has also weakened the volume of exports demanded by increasing the cost of our commodities to foreign buyers. For example, although U.S. crop prices are 18 percent below last year, when adjusted for changes in exchange rates they cost foreign buyers nearly 10 percent more than last year.

The good news about the current situation comes from the cost side. Inflation has abated rapidly in the general economy and in the agricultural sector in particular. Although short-run shocks may overstate or understate inflation in any given month, it is clear that the underlying trend in inflation has slowed considerably. We believe the current inflation trend, based on developments in unit labor costs, has fallen to 5-6 percent this year, down sharply from 9-10 percent last year. So that while supplies are large and demand is weak, business is getting a break from the cost side. Wage increases are slowing, as are prices for most other inputs, including energy. With costs under control, farmers can expect to see more of their gross receipts converted to net income when commodity prices begin to rise. That higher income will mean greater demand for goods and services from those who supply farmers.

Unfortunately, one cost—interest rates—has only improved modestly. The prime rate has come down from its record of over 20 percent, but is still painfully high for most businesses and farmers. We expect progress against high interest rates to continue to be difficult. Rates will be reduced to a manageable level when the financial markets believe that inflation and its causes have been dealt with on a lasting basis.

Requirements for Recovery

Although a supply reduction—from the acreage reduction program for major crops and from the market response of reducing livestock herds—will prevent further deterioration of the farm sector, a strong and lasting farm recovery largely depends on sustained recovery of the

U.S. and world economies. Since consumers on the average spend about 20 percent of their disposable incomes on food and fiber, domestic demand should pick up with the expected economic recovery this summer. As consumer demand for farm products improves, the demand for farm inputs will also improve. With recovery of the world economy, export demand is also expected to strengthen, lending further strength to demand for agricultural inputs.

We do expect an economic recovery this summer—housing starts have rebounded, new factory orders are up, and the index of leading indicators has risen for three consecutive months. However, continued high interest rates lead us to expect the recovery to be modest by historical standards, with real GNP growing at 3-4 percent through 1983. A modest recovery is also forecast for the world economy, and even the prolonged recession in Great Britain appears to be over. Thus, you can expect the demand for farm inputs to strengthen through this summer and fall and into next year. The recovery will be even stronger when interest rates finally decline in response to lower inflation. When that occurs, inventory demand will also pick up.

Although some people are concerned that inflation will accelerate with the recovery, we do not expect that to happen. In the short-run, sufficient excess capacity exists so that the economy can meet a growing demand without running into upward cost pressure. Wages have decelerated throughout most of the economy and have been frozen or actually reduced in some sectors. Also, now that the oil markets have been decontrolled, we don't foresee another major OPEC-induced oil shock. Although natural gas prices will be rising as controls are gradually phased out, this will be a movement to new market-determined equilibrium prices rather than a surge of renewed general inflation.

In the longer-run, increased savings and investment will rekindle private sector productivity growth, which will help keep inflation low even during a prolonged recovery. The bottom line of all this in terms of your businesses is that—once that adjustment process is completed—you can expect growing demand that won't be eaten up by rising costs, high interest rates, and excessive government interference.

All of this can be done, but it will take time. We have gotten into the current economic dilemma over the last 15 to 20 years with

excessive government spending and ill-designed taxation policies. The farm sector has more to gain from a sustained economic recovery than most other sectors since farmers cannot pass on their increased costs due to inflation and higher interest rates. This is the reason that it is important that all of us associated with agriculture support the measures the president has put in place to put this nation, once and for all, on a sound economic footing. Failure to do this means more inflation, declining productivity, and depressed economic conditions for agriculture in the long run.

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News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

USDA MAKES PROPOSAL ON VEGETABLE PROTEIN PRODUCTS

WASHINGTON, July 23—Requirements governing the use of vegetable protein products in child nutrition programs would be updated under a U.S. Department of Agriculture proposal, Assistant Secretary for Food and Consumer Services Mary C. Jarratt said today.

Vegetable protein products have been authorized since 1971 to satisfy part of the meat/meat alternate requirement of the meal pattern for all child nutrition programs. However, the existing authorization does not allow for several new types of protein products that have been developed since 1971. The proposal would not change the amount of allowable vegetable protein products in child nutrition program foods.

"These proposed regulations would improve flexibility in the use of vegetable protein products by responding to advances and changes in food technology," Jarratt said. "In addition, the nutritional value of the vegetable protein products would be equivalent to that of the meat, fish or poultry they supplement. Federal administrative procedures would also be simplified."

Vegetable protein products are food additives made from vegetables, such as soybeans to increase the protein value of foods.

USDA is requesting public comments on the proposal to update requirements governing the use of vegetable protein products in child nutrition programs. Comments must be received on or before Sept. 21, and should be mailed to Cynthia H. Ford, chief, Technical Assistance Branch, room 609, Food and Nutrition Service, USDA, Alexandria, Va. 22302.

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HIGHER MEAT PRICES PUSH CONSUMER PRICE INDEX FOR FOOD UP IN JUNE

WASHINGTON, July 23—The consumer price index released today indicates food prices rose 0.8 percent in June (before seasonal adjustment), according to Deputy Assistant Secretary of Agriculture J. Dawson Ahalt.

"This brought retail food prices in June to a level 5.2 percent higher than a year earlier, and compares with a 7.5 percent rise in prices for nonfood items over the past year. Prices for food bought in grocery stores were up 1 percent in June, while prices for food purchased away from home were up 0.4 percent," Ahalt said.

Similar to last month, the major factor pushing the food CPI up in June was an increase in meat prices. Beef prices rose 2.5 percent and pork prices were up 3.8 percent. Poultry prices also rose 0.8 percent. Reduced meat supplies in recent months have led to some much-needed increases in farm-level livestock prices, which are being passed through to the retail level.

Fresh fruit prices rose 6.9 percent. Apple prices rose 7.2 percent as supplies from cold storage are being reduced. Prices for oranges rose 12.3 percent due to seasonally reduced supplies and a smaller orange crop in California this year.

Retail fresh vegetable prices were up 2.2 percent in June. Tomato prices increased more than a fifth. Seasonally lower potato supplies pushed retail potato prices up 7.7 percent. Lettuce prices, however, were down 7.7 percent, reflecting a recovery in supplies from weather-related shortages in the spring.

Retail egg prices fell 5.7 percent in June due to increased supplies. Dairy product prices were down 0.3 percent, continuing the pattern of moderate changes seen for the past year.

Retail fish prices fell 0.3 percent following a 4.1 percent decline in May as production has stabilized in the last few months following weather-reduced levels earlier in the year.

Prices for most other foods changed only slightly in June, largely due to moderate changes in food marketing costs. Prices for processed fruits and vegetables, sugar and sweets, and cereals and bakery products were all up 0.3 percent or less; fats and oils prices were unchanged; and nonalcoholic beverage prices fell 0.2 percent.

Retail food prices this year are expected to average 5 to 6 percent higher than last year, the lowest annual increase since 1976. One of the major factors slowing the rise in retail food prices this year is the slowdown in inflation which has moderated food marketing costs.

Through June this year, food marketing costs averaged 6.4 percent above the first 6 months of 1981, down from a 12.1 percent rise between similar periods of 1980 and 1981. Slowing the rate of growth in food marketing costs is important because of the dominant role they play in determining retail food costs. Food marketing costs account for about 65 percent of grocery store food prices and, consequently, have been the largest contributor to rising prices for food at home in 7 of the last 8 years.

June Retail Food Prices, Percent Change for Selected Items

	May to June		
	Not seasonally adjusted	Seasonally adjusted	June 1981 to June 1982
All food	0.8	0.6	5.2
Food away from home	0.4	0.5	5.3
Food at home	1.0	0.8	5.2
Meats	2.8	2.3	9.0
Beef and veal	2.5	2.2	6.3
Pork	3.8	3.2	17.3
Other meats	1.7	2.7	4.9
Poultry	0.8	-0.2	0.4
Eggs	-5.7	-2.6	-5.6
Fish and seafood	-0.3	-0.8	3.7
Dairy products	-0.3	*	1.0
Fats and oils	0.0	*	-3.3
Cereals and bakery prods	0.1	*	4.5
Fruits and vegetable	2.6	1.7	9.9
Nonalcoholic beverage	-0.2	-0.7	2.9

June Retail Food Prices, Percent Change for Selected Items—Continued

	May to June		
	Not seasonally adjusted	Seasonally adjusted	June 1981 to June 1982
All food	0.8	0.6	5.2
Food away from home	0.4	0.5	5.3
Sugar and sweets	0.3	*	1.5
Other prepared food	0.1	0.3	5.3

* A seasonally adjusted index is not available for these items.

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USDA INCREASES TRAPPING IN CALIFORNIA AFTER FINDING SINGLE MEDFLY

WASHINGTON, July 23—California and U.S. Department of Agriculture officials have increased trapping and fruit cuttings in the western Los Angeles, Calif., area after trapping a single Mediterranean fruit fly July 21 in a peach tree in a residential area.

"We feel this find is probably a new introduction, rather than part of any previous infestation," said Assistant Secretary of Agriculture C.W. McMillan. The fly was in an area of repeated intensive trapping, and the last Medfly found in the entire Los Angeles area was last Oct. 28, at West Covina, McMillan said.

"We are doing an intensive appraisal and evaluation in the area," McMillan said, "and based on this study we will determine if quarantine regulations and eradication treatments, including aerial spraying, are needed. The fly was in an area where there was no commercial fruit."

Traps will be increased to 50 per square mile around the find, which is eight miles north of Los Angeles Airport between Beverly Hills and Los Angeles, 26 miles from West Covina. Fruit will be cut so officials can examine it for any Medfly larvae.

"We have notified Japanese agricultural officials of the find and they are taking a wait-and-see attitude," McMillan said.

Medfly officials found a Medfly last month in an urban area south of Stockton, Calif., in the San Joaquin Valley. Emergency regulations on movement of host fruit, intensive aerial insecticide treatments and increased trappings were ordered then, McMillan said, because of commercial fruit production in the area and the relative proximity to infestations in the Santa Clara Valley.

"The Los Angeles area has had a history of fruit fly introductions over the past several years," McMillan said, "and therefore it isn't surprising to find one in this area."

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MEXICO ASKS U.S. HELP WITH CITRUS DISEASE

WASHINGTON, July 23—Mexican agricultural officials have asked United States officials to help identify a citrus disease found recently on the Pacific Coast west of Mexico City, U.S. Department of Agriculture officials said today.

Harvey Ford, an official of USDA's Animal and Plant Health Inspection Service, said Mexican officials said symptoms of the disease, detected in the state of Colima, resemble those of citrus canker.

"Citrus canker is a costly disease widespread throughout many parts of the world and was eradicated in the United States in 1947," Ford said. "Mexican officials have stopped all movement of plant material from the area.

"We are making arrangements to hand-carry diseased material from Mexico to laboratories in Beltsville, Md., where USDA officials will identify it," he said. So far, he said, Mexican officials have found the disease symptoms only on leaves and twigs, not on fruit. The two governments are also working together to decide what additional surveys and other cooperative measures should be taken, Ford said.

"If there are any requests for importations," Ford said, "both governments have agreed they will be held in abeyance until we know more about the disease. While the situation is under review, USDA

inspectors on the Mexican border will refuse entry of Mexican citrus into the United States.

"These cooperative efforts are designed to benefit both Mexico and the United States and protect North American agricultural products. They are similar to previous cooperative plant protection programs," he said.

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USDA EXTENDS MATURITY DATE ON 1981-CROP EXTRA LONG STAPLE COTTON

WASHINGTON, July 23—All producers with 1981-crop extra-long staple cotton under outstanding commodity loans now have the option to extend their loans for an additional eight months.

The extended loans will continue to bear interest at the rate applicable to the loan, according to Everett Rank, executive vice president of the U.S. Department of Agriculture's Commodity Credit Corporation. However, Rank said, interest rates for all 1981-crop loans will be subject to change Jan. 1.

Interest rates on 1981-crop loans is calculated to reflect CCC's cost of borrowing money from the U.S. Treasury.

Producers wishing to extend their loans should contact their county office of USDA's Agricultural Stabilization and Conservation Service, Rank said.

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USDA PROPOSES REQUIRING IMPORTERS TO PAY DEPOSIT TO RESERVE ANIMAL QUARANTINE SPACE

WASHINGTON, July 23—U.S. Department of Agriculture veterinary officials are proposing new regulations that would require importers to pay a deposit when they reserve quarantine space at USDA's three major animal import centers.

John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said a high percentage of "no shows" at the three centers make the proposed rule necessary. The centers are at Stewart Airport, Newburgh, N.Y.—serving the port of New York; Miami, Fla.; and Honolulu, Hawaii.

Atwell said importers would be required to deposit $130 to reserve space for each horse to be imported, and $240 for each lot of cattle, wild ruminants or other livestock. The $40 deposit currently required for each lot of birds or poultry would be increased to $80 under the proposed regulations. "In far too many cases, importers have reserved animal quarantine space and then failed to use it," Atwell said. "This results in inefficient use of personnel and facilities, while denying other importers use of the space."

Atwell said the animal import centers have experienced cancellation rates of up to 40 percent for birds and poultry and up to 50 percent for cattle. The cancellation rate for horses is only about five percent, but because of the large number of horses imported, this results in a substantial amount of unused quarantine space.

"Deposit fees are credited toward the cost of maintaining animals during quarantine, which the importer must pay," Atwell said. "However, under the proposed rules if the reservation is cancelled, the deposit will be forfeited."

"This will help offset the deficit in operating the animal import centers," Atwell said. "To a large extent this deficit is caused by these unanticipated vacancies."

An estimated 3,430 horses, 168 cattle and 185 swine moved through quarantine at the three facilities during the past fiscal year. These changes do not affect the charges for operating the Harry S Truman Animal Import Center, Key West, Fla., as these charges are established by different regulations.

Atwell said federal law and animal health regulations require port-of-entry quarantines for birds, livestock and certain wild animals. These are imposed to prevent the introduction of major livestock diseases and pests into the United States. Livestock, but not birds, from Canada and Mexico are exempt from quarantine.

Public comments may be submitted until Sept. 27 to the deputy administrator for veterinary services, APHIS, USDA, Federal Center Building, 6505 Belcrest Rd., Hyattsville, Md. 20782.

The proposed new regulations are scheduled to be published in the July 27 Federal Register.

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USDA REQUESTS COMMENTS ON 1983 FEED GRAIN PROGRAM

WASHINGTON, July 26—Secretary of Agriculture John R. Block today asked the public to comment by Aug. 26 on provisions of the 1983 feed grain program, the details of which must be announced by Nov. 15.

Block said he plans to announce the 1983 feed grain program well in advance of the Nov. 15 statutory deadline.

Block said the U.S. Department of Agriculture would like to receive as many comments as possible so it will have a broad range of public opinion about the program. He said he will study the public's recommendations, as well as the most current data on U.S. and world crop conditions and crop supply and demand before he makes final decisions.

Specifically, USDA would like to receive comments on:

— loan and purchase prices, target prices and the national program acreage;

— whether to establish either an acreage reduction or set-aside program, and, if USDA establishes reductions for corn, oats, barley or sorghum, the levels of such reductions;

— provisions governing acreage devoted to conservation use;

— whether to establish a land diversion program and if such a program is established, a payment rate for the diversion;

— offsetting and cross compliance requirements under acreage reduction program;

— methods for determining 1983 crop acreage bases;

— whether barley should be included for payment purposes; and

— if malting barley is included in the 1983 program, whether it should be exempted from any acreage reduction program.

Block also asked for opinions on provisions for a farmer-owned grain reserve, commodity eligibility, premiums and discounts, the establishment of county loan rates and all other provisions necessary to carry out a loan and purchase program for feed grains.

Details of program options USDA is considering are scheduled to appear in the July 27 Federal Register.

Comments should be sent to: Howard C. Williams, director, analysis division, USDA-ASCS, room 3741-S, P.O. Box 2415, Washington, D.C. 20013. The comments will be available for public inspection in room 3741 of USDA's South Building during regular business hours.

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ILLINOIS ATTORNEY SENTENCED IN FMHA EMBEZZLEMENT

ROCK ISLAND, Ill., July 27—William R. Bailey, a former Rock Island attorney, was sentenced in U.S. District Court here today to 10 years in prison on each of three counts of embezzling and converting to his own use nearly $65,000 in loan funds of the U.S. Department of Agriculture's Farmers Home Administration.

Bailey was indicted by a federal grand jury Feb. 2 for embezzling $64,785 in Farmers Home loan funds and one count of making a false statement regarding disposition of those funds. He was sentenced to five years on the false statement charge. All sentences are to be served concurrently.

Bailey, a former school board member in Rock Island county and once an unsuccessful candidate for state's attorney, was convicted May 6 after a two-day trial in U.S. District court here.

At the trial, L. Lee Smith, an assistant U.S. attorney, contended that Bailey stole the money from loan funds he handled for three Rock Island County families while serving as a loan closing agent for the FmHA, which makes loans to people in rural areas.

According to George Gordon, special agent of USDA's Office of the Inspector General, Bailey wrote a $31,500 check from his client's trust

account to Yong Sun Inc., in July 1979. Shortly afterward, a check from Yong Sun, Inc., was used toward the purchase of a tavern. Other checks from the account went toward the purchase of liquor and other tavern expenses, the prosecutor said.

Bailey has relinquished his license to practice law.

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USDA RENEWS AGREEMENT TO COOPERATE WITH FUTURE FARMERS

WASHINGTON, July 27—An agreement that helps the Future Farmers of America do creative work in all 50 states has been renewed by U.S. Department of Agriculture officials and national youth leaders.

The 12-year-old program is called "Building Our American Communities."

Under the agreement, the USDA's Farmers Home Administration, the Future Farmers of America and the National Vocational Agriculture Teachers Association help students identify community needs and resources and develop programs to improve the quality of life in rural communities.

"This program instills in the youth of America the spirit of voluntarism on which much of the growth of this nation has depended," Frank W. Naylor, Jr., under secretary of agriculture for small community and rural development, said today.

Naylor represented USDA at the signing of an agreement to continue the program.

Charles W. Shuman, administrator of Farmers Home Administration, said his agency provides technical assistance and

advises and counsels participants in the use of federal, local and private resources needed to conduct the program.

Byron Rawls, national advisor, and Scott Neasham of Iowa, national president, of the Future Farmers of America, a national educational organization for students of vocational agriculture, represented their organization at the signing.

Layton Peters, president of the national vocational agriculture teachers group, represented his organization. In attendance was J. Tylee Wilson, president of R.J. Reynolds Industries of Winston-Salem, N.C., a cooperating sponsor.

Projects include classroom instruction and hands-on experience in resolving local problems through community action. The goal is to give tomorrow's leaders practical experience in cooperative endeavors involving private citizens, businesses and government agencies.

Many projects are built around the needs and resources of local communities and chapters.

Examples: In Florida, the Bunnell chapter is working on a three-year beachfront restoration. In Iowa, the Correctionville chapter constructed solar heating panels and installed them in the homes of elderly citizens. In Ohio, the Big Walnut chapter began upgrading recreation opportunities in the town by building basketball and handball courts and improving a local museum by landscaping and maintaining its grounds.

Since the program was started in 1971, participation throughout the country increased from a few hundred chapters to about 1,500 today.

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USDA TO WITHDRAW MEAT INSPECTION FROM TENNESSEE PLANT

WASHINGTON, July 28—The U.S. Department of Agriculture will withdraw federal meat inspection for 30 days from a Chattanooga, Tenn., meat processor following the company's conviction on two misdemeanor counts of preparing and selling ground beef patties adulterated with a soy product and added water. The firm cannot operate without federal inspection.

The action against South Eastern Meats Inc., was part of a consent decision year if the firm violates the Federal Meat Inspection Act by preparing, selling or transporting adulterated or misbranded product during the next year.

Under the Federal Meat Inspection Act, only wholesome, unadulterated and properly labeled meat products can be sold in interstate commerce.

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PRELIMINARY SUMMARY OF FOOD ASSISTANCE PROGRAM RESULTS FOR MAY 1982

WASHINGTON, July 28—Preliminary estimates of participation in the federal-state food assistance programs for the month of May, including comparisons with the previous month and with the same month of last year, were announced today by the U.S. Department of Agriculture's Food and Nutrition Service. They are:

	May 1981	April 1982	May 1982
THE FOOD STAMP PROGRAM:			
People participating this month (millions):	22.6	22.4	22.2
Value of bonus coupons (millions):	$936.2	$878.5	$867.7
Average bonus per person:	$41.39	$39.24	$39.02

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The Farmers Home Administration reported that 30 percent of its borrowers were behind in scheduled payments—up only slightly from a year earlier. However, of nearly 80,000 borrowers, FmHA has foreclosed on 198—about 1 for every 400 borrowers—and witnessed 981 non-foreclosed liquidations—about 1 for every 80 borrowers.

Such hardships are much more than statistics. Frequently they represent the disruption of a person's entire life, a fact I do not want to minimize for a moment. Elsewhere in the economy, the same kind of hardships have been occurring as well. Everyone—farmers and non-farmers alike—needs a healthy economy and the Reagan Administration has taken steps it believes will lead to one.

Agriculture presently has an additional problem because large supplies are facing reduced demand at the bottom of a recession. The brightest picture is in livestock. Production is declining from very high levels because of past losses. With a sharp decline in pork production this year, barrow and gilt prices in June averaged 20 percent above last June. Prices of other livestock have also improved considerably in recent months.

Per capita consumption of livestock products—including dairy products—will be lower this year than it has been in 40 years. If such production cuts were taking place in a stronger economy, we would have yet higher prices.

Compared with livestock producers, however, crop producers have less control over output. Both weather and foreign production significantly affect world markets—and U.S. farmers sell in those markets. Right now, 1982/83 supplies look large because large stocks remain from 1981 crops. Still, for the coming marketing year, only a modest increase is expected in U.S. ending stocks of all grain with the rise tempered by voluntary participation of farmers in the acreage reduction program. Partly as a result of that program, U.S. grain production is expected to decline 6 percent.

In developing a consistent and cohesive set of agricultural programs for the Agriculture and Food Act of 1981, the Reagan Administration recognized that agriculture differs greatly from other sectors of the economy in that production depends on natural and biological forces. It is necessary to protect against economic as well as natural disasters, which are inherent in an agricultural industry with substantial

fluctuations in output. Agricultural commodity price variations can be large as supplies change, leading to significant changes in farm income from year to year.

While we did not achieve all we wished in the Agriculture and Food Act of 1981, it was a step in the right direction. Utilizing the programs contained in this legislation, the Reagan Administration has provided assistance to commodity producers that will total nearly $11 billion in fiscal 1982. Net outlays for on-going CCC price support programs, which were designed with flexibility to deal with a surplus production situation such as we are now experiencing, will increase by around $6-1/2 billion in fiscal 1982—over 2-1/2 times the fiscal 1981 outlays. It is difficult to agree with those who say that this farm bill is a "do-nothing" bill when we have had increased outlays in time of need of this magnitude.

The 1982 acreage reduction programs have reduced expected U.S. grain output in 1982/83 by 6 percent from 1981/82 levels and limited the buildup in stocks. To further limit the growth in surplus grain stocks, and assist farmers with their current cash flow problems, Secretary Block has announced a 20 percent acreage reduction program for 1983 crop wheat with advanced wheat deficiency payments to those farmers who participate in the program.

Causes of Current Conditions in the Farm Economy

While large supplies are one factor causing low commodity prices and weak farm income, supplies can only be large relative to demand. Although the 1981-82 recession appears to have bottomed out, it came on the heels of a recession in 1980. In fact, the economy has been weak for a prolonged period dating back to 1979. In the first quarter of 1982, real GNP was less than one-half percent higher than in the first quarter of 1979. This three-year stagnation has limited growth in real disposable personal income (per capita) to only one percent in the same period.

We believe that this period of economic slack is an unfortuante but necessary consequence of trying to cure 15-20 years of a rising trend in inflation and interest rates, a declining trend in productivity growth, and excessive reliance on government intervention and regulation of the marketplace. To that extent, we find ourselves in an adjustment process that is proving to be somewhat more difficult than originally thought. A responsible monetary policy, which is necessary to reduce

	May 1981	April 1982	May 1982
FOOD DISTRIBUTION PROGRAM ON INDIAN RESERVATIONS:			
Number of projects in operation:	77	81	81
People participating this month (thousands):	70.4	84.5	83.9
THE SPECIAL SUPPLEMENTAL FOOD PROGRAM (WIC):			
People participating this month (millions):	2.027	2.207	2.268
Federal food costs (millions)(a):$53.3	$66.9	$68.6	
THE COMMODITY SUPPLEMENTAL FOOD PROGRAM:			
Number of projects in operation:	21	25	25
People participating this month (thousands):	117.0	126.5	127.0
THE NATIONAL SCHOOL LUNCH PROGRAM:			
Number of schools taking part (b):	93,982	91,220	91,220
Children participating this month (millions):	25.4	23.1	22.8
Children reached with free or reduced-priced lunches this month (millions):	12.3	11.6	11.3
Percentage of lunches served free:	40.5	42.7	42.2
Percentage of lunches served at reduced price:	7.6	7.2	7.1
THE SCHOOL BREAKFAST PROGRAM:			
Number of schools taking part (b):	35,082	34,385	34,385
Children participating this month (millions):	3.8	3.4	3.3
Percentage of breakfasts served free or at reduced price:	85.9	88.9	88.8
THE CHILD CARE FOOD PROGRAM:			
Number of outlets taking part:	62,500	70,900	72,200
Children participating this month (thousands):	871.0	902.0	893.0

(a) Due to monthly fluctuations, the federal administrative expenditures are excluded from this program.

(b) These data were collected semi-annually last year (October and March), but are now collected annually (October).

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USDA REVISED INSPECTION PROCEDURES FOR CATTLE AND HOGS BECOME FINAL OCT. 30

WASHINGTON, July 28—Interim rules on revised inspection procedures for slaughtered cattle and swine will become permanent Oct. 30, a U.S. Department of USDA official said today.

"The interim rules have increased productivity for both government and industry without reducing protection to consumers," said Donald L. Houston, administrator of USDA's Food Safety and Inspection Service.

USDA implemented the rules on an emergency basis last summer because federal budgetary limitations demanded the most efficient possible use of agency personnel, he said. USDA accepted public comments for 60 days.

On July 14, 1981, USDA established new staffing standards for inspectors in cattle slaughter plants. The action reduced by 40 the number of cattle slaughter inspectors needed nationwide, allowing reassignments to other essential inspection areas needing personnel.

On Aug. 28, USDA streamlined inspection procedures for slaughtered swine. The procedures, which place greater reliance on visual, rather than inspection of internal organs, also include the use of a mirror for outside carcass observation. USDA estimates the rule will reduce by 110 the number of inspectors needed in larger swine slaughter establishments.

USDA received nine comments on the interim cattle inspection rule and 33 comments on the interim swine inspection rule. After considering the comments, USDA is making the rules final— with minor changes, Houston said. Under provisions of the Federal Meat Inspection Act, USDA inspectors examine the head, internal organs

and other parts of slaughtered animals to ensure they are not diseased or otherwise unfit for human food.

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USDA EXTENDS CORN, SORGHUM RESERVE ROTATION PERIOD TO 60 DAYS CEFORE HARVEST

WASHINGTON, July 28—Farmers who have corn or grain sorghum in the producer-owned grain reserve now may rotate these crops out of storage up to 60 days before replacing it with newly-harvested grain. The previous rotation period allowed only 30 days before harvest.

According to Secretary of Agriculture John R. Block, it is routine for farmers to remove old-crop reserve grain from storage and replace it with the new crop in order to maintain the quality of grain under loan.

Block said in many parts of the country, the 1981 crops of corn and grain sorghum were harvested during abnormally wet weather and stored at a higher moisture level than usual. In addition, excessive rains and high humidity and temperatures in many major grain-producing areas this year have led to a greater-than-usual possibility of stored grain going out of condition, he said.

Block said his decision to extend the rotation period was a one-time change made to cope with special weather conditions and would apply only to the replacement of 1982 crops for prior years' crops.

Wheat or barley were not included in this decision because those commodities have not had deterioration problems.

Producers wishing to take advantage of the extended rotation period should contact their county Agricultural Stabilization and Conservation Service office prior to removing their crops from storage.

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USDA RELEASES COST OF FOOD AT HOME FOR JUNE 1982

WASHINGTON, July 28—The U.S. Department of Agriculture today released its monthly update of the weekly cost of food at home for June 1982.

USDA's Human Nutrition Information Service computes the cost of food at home for four food plans—thrifty, low-cost, moderate-cost and liberal.

Esther Winterfeldt, administrator of the Human Nutrition Information Service, said the plans consist of foods that provide well-balanced meals and snacks for a week.

USDA assumes all food is bought at the store and prepared at home. Costs do not include alcoholic beverages, pet food, soap, cigarettes, paper goods and other nonfood items bought at the store.

"USDA costs are only guides to spending," Winterfeldt said. "Families may spend more or less, depending on such factors as where they buy their food, how carefully they plan and buy, whether some food is produced at home, what foods the family likes and how much food is prepared at home.

"Most families will find the moderate-cost or low-cost plan suitable," she said. "The thrifty plan, which USDA uses to set the coupon allotment in the food stamp program, is for families with less money for food. Families with unlimited resources might use the liberal plan."

Details of the four food plans are described in Home and Garden Bulletin No. 94, "Family Food Budgeting. . .for Good Meals and Good Nutrition," which may be purchased for $2.50 each from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

COST OF FOOD AT HOME FOR A WEEK IN JUNE 1982

	Plans			
	Thrifty	Low-cost	Moderate-cost	Liberal
Families:				
Family of 2 (20-54 years)	$34.50	$44.80	$56.10	$67.30
Family of 2 (55 years and over)	31.10	40.00	49.50	59.20

COST OF FOOD AT HOME FOR A WEEK IN JUNE 1982

	Plans			
	#Thrifty	Low-cost	Moderate-cost	Liberal
Family of 4 with preschool children	48.90	62.70	78.20	93.70
Family of 4 with elementary school children	59.00	75.80	95.00	113.90
Individuals in four-person families:				
Children:				
1-2 years	7.90	10.00	12.40	14.70
3-5 years	9.60	12.00	14.80	17.80
6-8 years	12.20	15.60	19.50	23.40
9-11 years	15.40	19.50	24.50	29.30
Females:				
12-19 years	14.50	18.50	22.90	27.30
20-54 years	14.10	18.20	22.60	27.00
55 and over	12.90	16.50	20.30	24.10
Males:				
12-14 years	16.30	20.70	25.90	31.00
15-19 years	17.90	22.90	28.60	34.40
20-54 years	17.30	22.50	28.40	34.20

To estimate your family food costs

— For members eating all meals at home—or carried from home—use the amounts shown.

— For members eating some meals out, deduct 5 percent from the amount shown for each meal not eaten at home. Thus, for a person eating lunch out five days a week, subtract 25 percent, or one-fourth the cost shown.

— For guests, add 5 percent of the amount shown for the proper age group for each meal.

Costs in the second part of the chart are for individuals in four-person families. If your family has more or less than four, total the "individual" more economically than smaller ones:

— For a one-person family, add 20 percent.

— For a two-person family, add 10 percent.
— For a three-person family, add 5 percent.
— For a family of five or six persons, subtract 5 percent.
— For a family of seven or more, subtract 10 percent.

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USDA PLANS TO CLOSE SEVEN GRAIN INSPECTION FIELD OFFICES

WASHINGTON, July 29—The U.S. Department of Agriculture plans to close seven grain inspection field offices and one suboffice and reduce its workforce by 126 on or before Sept. 1, a USDA official said today.

"These cost-cutting measures will save USDA's Federal Grain Inspection Service an estimated $3 million this coming fiscal year," said Kenneth A. Gilles, administrator of the grain inspection and weighing agency.

The field offices to be closed are Seattle, Wash.; Sacramento, Calif.; San Pedro, Calif.; Fort Worth, Texas; Fort Dodge, Iowa; Denver, Colo.; and Albany, N.Y.

The suboffice at Hastings, Neb., will also close. Areas serviced by the Fort Worth, Fort Dodge, Denver and Albany offices have been divided between other field offices, Gilles said.

"Service provided by the Seattle, Sacramento and San Pedro offices will become the responsibility of the states of Washington and California, under agreements currently being developed," he said.

Five field offices are scheduled to become suboffices, Gilles said. These are located in Norfolk, Va.; Lumberton, Texas; Jonesboro, Ark.; Crowly, La.; and Olive Branch, Miss. This will result in a Federal Grain Inspection Service field structure of 29 field offices and 9 suboffices, located in 23 states and Canada.

"In spite of cost-saving measures taken last fall, which resulted in a major restructuring of the agency and a 25 percent staff reduction, current operating costs are still exceeding revenues," Gilles said.

"We've been working with the Federal Grain Inspection Service Advisory Committee and other representatives of the agricultural

community to resolve this problem," Gilles said. "The field office changes were made to address this problem. The changes will reduce overhead and improve staff use.

"Every effort is being made to ensure that these cost-saving measures do not affect the integrity of the national inspection and weighing system," Gilles said.

Other plans announced as part of the revamping of the agency are: increased responsibility of state and private official agency managers to train and supervise their employees; a redefining of the quality assurance program; consolidation of the managerial structure of the rice program; and greater use of a seasonal workforce whenever economically advantageous.

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USDA PROPOSES NONRECOURSE SUGAR LOAN PROGRAM

WASHINGTON, July 29—Secretary of Agriculture John R. Block today proposed a nonrecourse sugar loan program under which the U.S. Department of Agriculture would offer loans on raw cane and refined beet sugar at national average prices of 17 and 20.1 cents per pound, respectively.

Under the proposal, sugar eligible for loans would be that processed between April 1, 1982, and June 30, 1983. Loans would be available beginning Oct. 1, 1982, and would be for a period of six months. However, Block said, all loans would carry a maturity date of no later than Sept. 30, 1983. The interest rate on these loans would be the rate applicable to all loans issued by USDA's Commodity Credit Corporation during the month of disbursement.

To be eligible for the loan program, a processor must agree to pay at least the minimum specified support price to any producer who delivers sugar beets or sugarcane to the processor.

Details of the proposed loan program are scheduled to appear in the July 30 Federal Register. The deadline for receiving comments on the proposal is Aug. 25.

Comments should be sent to the director; cotton, grain and rice price support division; USDA-ASCS; P.O. Box 2415; Washington, D.C. 20013.

Written comments will be available for public inspection in room 3530 of USDA's South Building during regular business hours.

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USDA RECOGNIZES DELAWARE AS 20TH STATE FREE OF SWINE BRUCELLOSIS

WASHINGTON, July 29—Delaware is the 20th state to eradicate brucellosis in swine, veterinary officials of the U.S. Department of Agriculture said today.

A certificate recognizing Delaware as "validated brucellosis free" was presented today to Governor Pierre S. DuPont at the Delaware State Fair, in Harrington, by James O. Lee, Jr., associate administrator of USDA's Animal and Plant Health Inspection Service. Delaware Secretary of Agriculture Donald J. Lynch and the chairmen of the two agriculture committees of the state legislature, Thurman Adams of the state senate and Brad Barnes of the house of representatives, also took part in the ceremony.

"Abortion is one of the most common signs of brucellosis in swine," Lee said. "Livestock producers in Delaware are to be praised for their dedicated efforts in eradicating this costly disease."

Lee said one of the main tools to locate infection is the market swine testing program. Under this program, breeding swine are identified when entering market channels. If blood tests at slaughter show they are infected, the identification is used to find and clean up the infected herd of origin.

Other states that have achieved validated swine brucellosis free status are California, Colorado, Idaho, Iowa, Maine, Maryland, Minnesota, Montana, Nevada, New Hampshire, North Dakota, Pennsylvania, Rhode Island, South Dakota, Utah, Vermont, Washington, Wisconsin, Wyoming, plus Puerto Rico and the U.S. Virgin Islands.